

GREENPLAN

FOREST NEWS

SMART MONEY STAYS IN FORESTRY



John Barton -
Managing Director

Fletcher Forests efforts to sell its forests is one of a number of forest industry 'stories' that illustrate major changes that are occurring in the New Zealand forest industry at present.

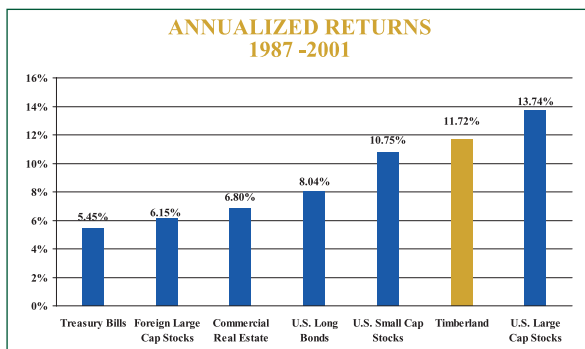
Our interest is in the eventual price and who the successful buyer will be. We believe the price will represent a "steal" as the industry is currently at or near the bottom of a trough. So whoever buys it can expect plenty of upside in the next few years.

The successful buyer is likely to be one of the many USA pension funds who already own a large percentage of New Zealand's radiata forests. The reader may have noticed names such as John Hancock, Campbell, Prudential, Xylem and Harvard in connection with forest sales. These are a few of dozens of USA pension funds who are interested in New Zealand forests.

The size of some of these forest funds is staggering. I read recently where the Harvard University Superannuation Fund invests \$US1.4B in timberlands every year. If you surf the web you'll find numerous sites for pension funds with interest in forests. By New Zealand standards most are large funds with huge financial resources continually looking for a good, safe investment.

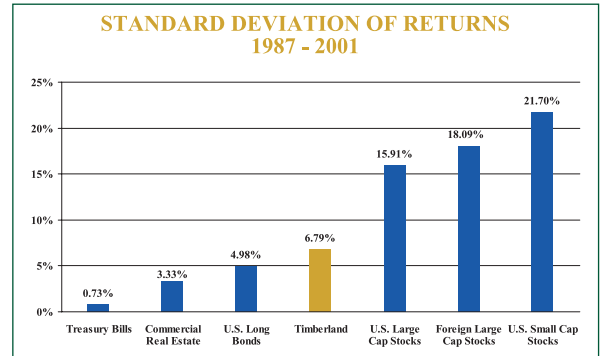
At the same time as the new New Zealand Superannuation Fund is being roasted in the media for placing a large percentage of its fund in overseas stock markets, some of these large and well established overseas funds are placing some of their dollars in New Zealand forests. It's somewhat ironical that our government doesn't consider a New Zealand forest as a place to invest our nation's super funds, but the world does!

Recently we found some data on the web which may explain why forests are a popular superannuation investment.



Source: <http://www.nctr.org/content/pdf/2002Conv/TuesW1P1.pdf>

This shows timberland (or forest) second on the list of returns in the 1987 to 2001 period. Better by far even than commercial real estate. But the next graph shows an even better reason to be in forests. This shows the rise and fall (standard deviation) of various investments during 1987 to 2001.



Source: <http://www.nctr.org/content/pdf/2002Conv/TuesW1P1.pdf>

Over that period the share market has been subject to movements of as much as 21.7%. By comparison it shows timberland's standard deviation to be only 6.79%.

The only conclusion one can draw from these two graphs is that forests offer not only competitive returns (second best on the graph) but also very little movement in price year by year. That's why so many of the more reputable and well established pension funds see it as a good, safe investment. Funny Mr Cullen hasn't thought about that!

We think Greenplan investors should take some confidence from the fact that in their search for a good investment for their retirement they are joined by such prestigious organisations as Harvard University.

CRITICS CRITICISED

Recent unflattering comments about the forest industry, written by newspaper columnists Gareth Morgan and Terry Hall have recently been answered by an authoritative forestry commentator, Dennis Hocking (Dominion Post - Sept 27th). He calls the articles "not necessarily wrong, but selective and misleading."

Gareth Morgan quotes stumpage of \$1 per cubic metre or, even worse, negative stumpage. But he doesn't explain this is for pulp logs which come from two main sources; either an unpruned tree in an un-thinned stand, or the third or top log from a pruned stand. As Hocking notes "the world is awash with these low quality logs and has been for decades."

There's an old joke in forestry that growing trees for pulp is akin to growing sheep for their dags!

Pruned stands where the silviculture has been effected is like a sheep which is fed well, drenched and dagged. That will give you a quality fleece of wool, just as silviculture gives you a quality pruned log.

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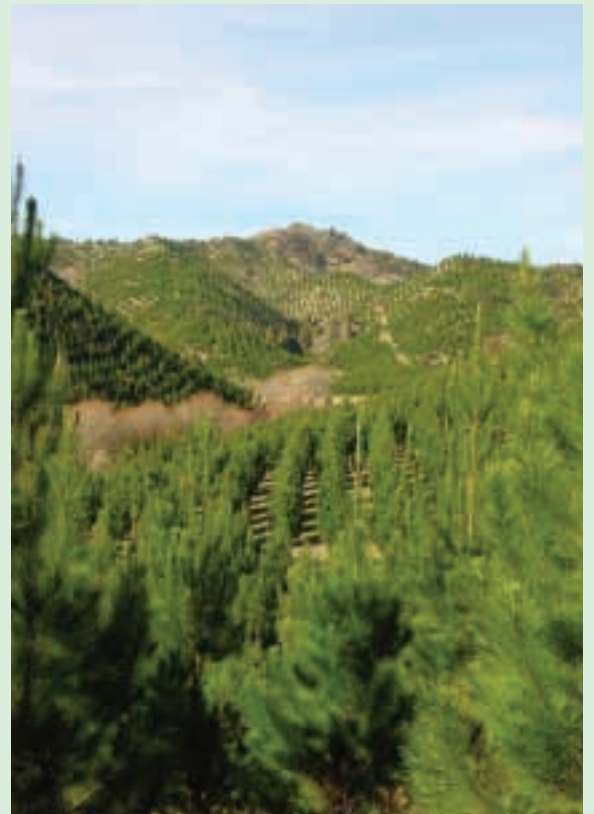
10TH ANNIVERSARY FIELD DAY

At Greenplan's 1st field day seven years ago we celebrated the investment by our 1000th investor. This year we are celebrating our 10th year and hope that a decent proportion of our more than 5000 investors will be there.

The field day is on Saturday November 22nd at the Centurion Forest No.45, which is close to Piopio, and central to many Greenplan forests.

We're aiming to make the field day the best yet. As well as presentations by interesting speakers, a sumptuous BBQ lunch, various activities and entertainment, and the opportunity to learn more about your investment and to meet and talk to Greenplan staff about your investment, we're sure you'll enjoy being in a very pretty part of the King Country.

If you wish to attend the field day please either fill in the enclosed registration form and send it to us, or register online at www.greenplan.co.nz



Field Day location, Centurion Forest No. 45

PRUNING COMPETITION WILL BE A FIELD DAY HIGHLIGHT



A feature of the program will be a pruning competition open to pruners who work in Greenplan's forests. This event promises to be very exciting, and an entertaining spectacle. Prize money and products valued at over \$4,000 have been donated.

We appreciate the generosity of the ANZ Bank, Perpetual Trust, PF Olsen & Co, Aggro NZ Ltd, Levin Timbersaws Ltd and Geosystems Ltd for their generous support of this event.

REFERRALS

Included with this newsletter is an Investor Referral form. If you are a Greenplan investor and know anyone that is interested in investing with Greenplan we'll be happy to send them information. If that person invests we'll pay you a referral fee of \$250 per unit.

Please remember that you must check with the person you are referring before sending us any details. We don't want to offend anyone by sending them information they don't want.

Also remember that we need to receive that person's name from you before they invest in order for us to pay a referral fee.

LOST & FOUND

We've lost track of a few people. If you know any of the following please either let us know, or ask them to contact us.

- William R Ross, Whangaparoa
- Peter & Deborah Wilson, Hamilton
- Kerry Staples, Browns Bay
- Stewart Shaw, Blenheim
- Monique Mansell, Palmerston North
- Stephanie Rowse, Nelson

FOREST MANAGEMENT DIARY



With new forest planting completed during August all Greenplan silviculture crews have returned to pruning and thinning operations. Most of this work has concentrated on the third lift and thin-to-waste. Currently there are crews working on third lift pruning in Aratoro No. 20, Brakeside No. 23, River Road No. 24 and Touchwood No. 27. Both the Slab Hut Partnerships No. 21 and 22 are completed and work in Awakino River No. 19, Smiths No. 25 and Tin Whare No. 26 is programmed to commence shortly.

Thin-to-waste operations have begun in Aratoro No. 20, Slab Hut No. 21, Brakeside No. 23, River Road No. 24 and Touchwood No. 27. Generally the thinning work is completed by the contractor that performed the third lift operation. It is carried out shortly after the third lift is completed.

Once the third lift is completed a final operational audit will be performed in which an independent auditor will measure a sample of trees from each of the partnerships to satisfy that the operational work has been carried out to an acceptable standard.

Some first lift work has commenced in Jones No. 39 and Clearwater No. 42 while the first lift in Huntaway No. 40 is completed. Other 1999

forests are scheduled to begin the first lift in the spring and summer. The second lift on the 1998 Partnerships is scheduled to commence during early 2004.

This first release operation on the 2003 partnerships recently planted has begun. This involves the crews walking the entire forest and spraying a small amount of chemical around each of the trees which destroys any competing grasses and other weeds. Trees are also monitored for survival and health.

A Dothistroma Survey was performed in August to determine which partnerships need to be sprayed this coming season. Dothistroma pini is an airborne fungus which affects the pine needles, hence slowing tree growth, however not usually killing the tree. It is easily controlled by a spray mixture of copper oxychloride, oil and water, applied by helicopter in November and, if necessary in February. As it affects the lower part of the tree first, the fungus is also controlled by removing the lower branches during pruning.

The abnormally dry summer experienced in the King Country has helped to control the fungus and as such the spraying programme will be smaller than the previous year.



Huntaway Forest No. 40

LOG AND TIMBER MARKETS

Returns on most grades of logs, and timber products, have continued to fall over the past couple of months, although there are indications that conditions are stabilizing. There have been some modest gains recently, but only after some drastic cuts in production. As yet the conditions required for a sustained lift in prices and volumes are not present. While market prices are showing signs of firming, shipping costs are expected to increase further, offsetting the price gains.

China has continued to be the strongest log export market, with Japan also reasonably strong. Korea remains weak, although prices there are expected to firm because of low log stocks. Even if log prices in Korea firm significantly there is unlikely to be a large increase in volumes of logs available. As unpruned logs are normally taken from the unpruned top portion of pruned trees supply of unpruned logs for export is dependant on the harvest of pruned logs. It is unlikely that there will be an increase in pruned log production until pruned log prices improve.

Similarly pulp log and chip prices are expected to increase on low volumes due to supply problems.

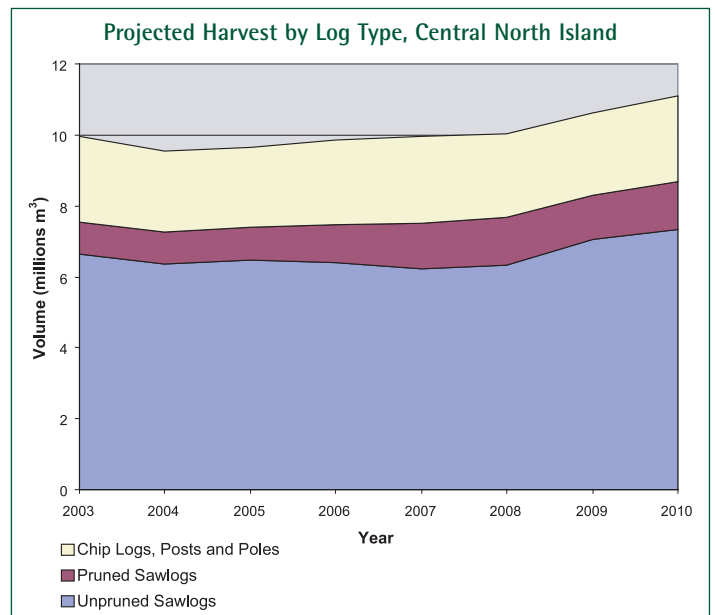
Pruned log prices have steadied but need to improve substantially before forest owners are prepared to resume harvesting.

Supplies of export timber grades to the US have been reduced significantly in response to lower prices. This has helped to turn around prices for some grades. However as mentioned above volumes are unlikely to increase until pruned log prices improve. Perhaps the best news is that markets for processed timber in Australia and New Zealand are healthy, with firm prices and good demand.

CRITICS CRITICISED *continued from page 1.*

However, good quality pruned logs are a rarer commodity in New Zealand forests than the pulp logs we send to the paper mill or the unpruned log we send to Korea or China.

A recent study by MAF titled "Harvest Intentions in the Central North Island Forests," is interesting. The area studied includes most of Fletcher and CHH forests.



As the graph shows of the 10 million cubic metres projected only about 10% will be pruned saw logs. If all these forests had been managed the way Greenplan forests are, you could expect only about 15% pulp logs, and as much as 30 to 33% to be pruned sawlogs. And that's the valuable log worth twice as much per cubic metres as the best unpruned framing grade saw log, and 4 times as much as a pulp log.

So while Morgan's comments are not necessarily wrong they are certainly uninformed and definitely misleading.

SECONDARY MARKET

The following units are for sale. * These units are subject to the clause two procedure, whereby partners in that partnership have a 28 day period first option in which to apply. The units not marked are available for sale to anyone. Please contact Kath Meredith (invest@greenplan.co.nz) at Greenplan for more details.

| Partnership Name | Planted | Units | Price |
|---|---------|-------|----------|
| Arapito No.8* | 1994 | 1 | \$13,000 |
| Araptio No.9* | 1995 | 4 | \$11,600 |
| Aratoro No.13* | 1995 | 1 | \$11,000 |
| Awakino River No. 17* | 1995 | 2 | \$11,600 |
| Slab Hutt No.21* | 1996 | 1 | \$9,700 |
| River Road No.24* | 1996 | 1 | \$9,700 |
| Stockyards No.32* | 1997 | 1 | \$9,100 |
| Rim Rock No.33* (1/2 hectare units) | 1997 | 2 | \$4,700 |
| Squires Creek No.38* (1/2 hectare unit) | 1998 | 1 | \$4,300 |
| Tunnel Rock No.46 | 2000 | 3 | \$7,200 |
| Jubilee No.50 | 2001 | 1 | \$7,200 |
| Jubilee No.50 | 2001 | 3 | \$7,100 |
| Twin Rivers No.51 | 2001 | 1 | \$7,200 |
| Twin Rivers No.51 | 2001 | 1 | \$7,100 |
| Headwaters No.52 | 2001 | 1 | \$7,000 |
| Headwaters No.52 | 2001 | 1 | \$7,300 |
| Ducksfield No.53 | 2002 | 3 | \$7,000 |
| Glen Afton No.54 | 2002 | 2 | \$7,300 |
| Glen Afton No.54 | 2002 | 1 | \$7,000 |
| Big Valley No.55 | 2002 | 4 | \$7,300 |
| Greatwood No.57 | 2003 | 1 | \$7,300 |

NEXT ISSUE

We are currently preparing the prospectus for our next issue Forest No.62. This partnership is expected to be registered in early November. If you would like information about it please contact us and we'll send it as soon as it is available.

NEWS CHIPS

EXPORTS DOWN

NZ forestry exports are 24% lower than a year ago. This is primarily due to low returns leading companies to reduce harvesting in anticipation of better prices in the future. While not a good result for the New Zealand economy, or this year's annual reports for the companies who have cut back, this change does illustrate one of the strengths of forestry - the ability to manage harvest to suit market conditions.

Source: Statistics New Zealand

PROCESSING POTENTIAL IN NEW ZEALAND

It may be surprising to many that New Zealand still has to import over a billion dollars of wood-based products each year. Forest products imports

accounted for 3.9 percent of New Zealand's total imports in the June 2003 year. Much of this is for processed product which can not be processed here. For the same year forestry products exports represented 13% of New Zealand's total exports.

These figures illustrate the potential for processing development in NZ to substitute the cost of these imports. The main countries of origin for imported wood products are Australia, Indonesia, China and United States.

It is interesting to note that one of the main countries of origin for imports of forest products is Indonesia. As around 90% of Indonesian harvest is illegal we can assume much of these imports to be from illegally harvested production.

Source: MAF Rural Bulletin, September 2003.

www.maf.govt.nz/statistics/primaryindustries/forestry

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FORESTRY INVESTMENTS

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